



# **CITY OF BRUNSWICK, MARYLAND**

FINANCIAL STATEMENTS, SUPPLEMENTARY INFORMATION, AND  
REPORTS OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

FOR THE YEAR ENDED JUNE 30, 2016



**DRAPER & MCGINLEY, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS • FINANCIAL CONSULTANTS  
FREDERICK, MARYLAND

# **CITY OF BRUNSWICK, MARYLAND**

## **SUMMARY OF ELECTED AND APPOINTED OFFICIALS**

**AS OF JUNE 30, 2016**

### **MAYOR**

Karin Tome

### **CITY COUNCIL**

Ellis Burruss

Jeffrey Snoots

Carroll Jones

Walt Stull

Harry Lashley

Angel White

**CITY ADMINISTRATOR**

Bob McGrory

**CITY AUDITOR**

Draper & McGinley, P.A.

**CITY ATTORNEY**

Funk & Bolton, P.A.

**CITY ENGINEER**

Jeff Holtzinger

**CHIEF OF POLICE**

Milton Frech

**CITY OF BRUNSWICK, MARYLAND**  
**FINANCIAL STATEMENTS, SUPPLEMENTARY INFORMATION AND REPORTS OF**  
**INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**TABLE OF CONTENTS**

Report of Independent Certified Public Accountants	1
Management's Discussion and Analysis	3
 <b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet – Governmental Funds	12
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	13
Reconciliation of Fund Balance to Net Position of Governmental Activities	14
Statement of Net Position – Proprietary Funds	15
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	16
Statement of Cash Flows – Proprietary Funds	17
Notes to the Financial Statements	19
 <b>Required Supplementary Information</b>	
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – General Fund	36
Schedule of the City's Proportionate Share of the Net Pension Liability	38
Schedule of Contributions and Related Ratios	38

## **Other Information**

Report of Independent Certified Public Accountants on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

40



## Draper & McGinley, P.A.

CERTIFIED PUBLIC ACCOUNTANTS  
AND FINANCIAL CONSULTANTS

James A. Draper, CPA  
Michael McGinley, CPA  
Joyce A. Draper, CPA  
Michele R. Mills, CPA  
Michael A. McGinley, CPA/ABV

Frederick: (301) 694-7411  
Frederick Fax: (301) 694-0954  
Hagerstown: (301) 797-2202  
Hagerstown Fax: (301) 797-6437  
[www.drapermcginley.com](http://www.drapermcginley.com)

### REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Mayor and City Council  
City of Brunswick, Maryland

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Brunswick, Maryland, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Brunswick, Maryland's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Brunswick, Maryland, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension schedules on pages 3 – 9 and 36 – 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2016, on our consideration of the City of Brunswick, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Brunswick, Maryland's internal control over financial reporting and compliance.

*Drapen & McGinley, P.A.*

Frederick, Maryland  
October 25, 2016

## **Management's Discussion and Analysis**

Management of the City of Brunswick ("the City") offers readers of the City's accompanying financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2016.

### **Financial Highlights**

- The City's assets totaled \$44,709,125; increasing \$2,178,490 from the prior year. Capital assets, net of accumulated depreciation, totaled \$37,523,341; representing 84% of total assets.
- The City's deferred outflows of resources totaled \$313,696 in FY 2016; the prior year balance was \$152,055. In FY 2015, the City changed its accounting and financial reporting for pensions as required by newly implemented Governmental Accounting Standards Board Statement No. 68 (GASB 68).
- The City's liabilities totaled \$5,540,243; increasing \$247,991 from the prior year. Long-term debt obligations were \$3,453,270 of this total.
- The City's governmental long-term debt obligations decreased \$39,190. Business-type long-term debt obligations decreased \$191,663.
- The City's deferred inflows of resources totaled \$11,817,443; decreasing \$489,886 from the prior year. Developer unearned revenue was \$11,670,915 of this total. Unearned revenue arises when monies are received by the government but cannot be realized as revenue. The net difference between projected and actual earnings on pension plan investments was \$107,550 of this total.
- The City's government-wide net position was \$27,665,135; increasing \$2,582,026 from the prior year. In the current year, net position for governmental activities increased \$766,780 and business-type activities increased \$1,815,246.
- Of the government-wide net position, net investment in capital assets totaled \$34,070,071; approximately a 4.7% increase from the prior year. The unrestricted portion of the City's net position was negative \$6,404,936. The deficit in unrestricted net position attributable to deferred inflows improved 14% from the prior year. Unearned Special Taxing District revenue in the business type activities represents a significant portion of the deficit.
- As of June 30, 2016, the City's governmental funds (General and Capital Projects) reported combined ending fund balances of \$4,407,541; an increase of \$358,744 compared to the prior year, an indication of the City's ongoing fiscal strength and stability. Approximately 58 percent of this amount is available for spending at the government's discretion; 40 percent is assigned to Capital Projects and Leases; and the remaining 2 percent is committed by ordinance.

## Overview of the Financial Statements

The discussion and analysis introduce the City of Brunswick's basic financial statements.

The City's basic financial statements are comprised of three components: 1) government-wide financial statement, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements** – The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, current year revenues and expenses are included in this statement regardless of when the actual cash is received or paid. This format shows the financial reliance of the City's individual functions on revenues provided by the City's taxpayers. Revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, sanitation, economic development, and recreation. The business-type activities offered by the City are water utility and wastewater utility operations.

The government-wide financial statements are on pages 10 and 11 of this report.

**Fund Financial Statements** – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into two categories; governmental and proprietary funds.

**Governmental funds** – These funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how assets can readily be converted into cash and what monies are left at year-end that will be available for spending in the next year. Governmental fund financial statements give a detailed short-term view that can be used to determine if there are more or fewer financial resources available to finance City programs.

Because the focus of governmental funds is narrower than government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better



understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget on pages 36–37 of this report.

The basic governmental fund financial statements can be found on pages 12-14 of this report.

***Proprietary funds*** – The City maintains two different types of proprietary funds. Proprietary, or enterprise, funds are used to report the same functions as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water utility and wastewater utility operations.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information, as well as a combined total, for the water and wastewater utility operations. Each is considered to be a major fund of the City. Conversely, both utility service funds are combined into a single, aggregated presentation in the government-wide financial statements. Individual fund data for the internal funds are provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 15-18 of this report.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 19–35 of this report.

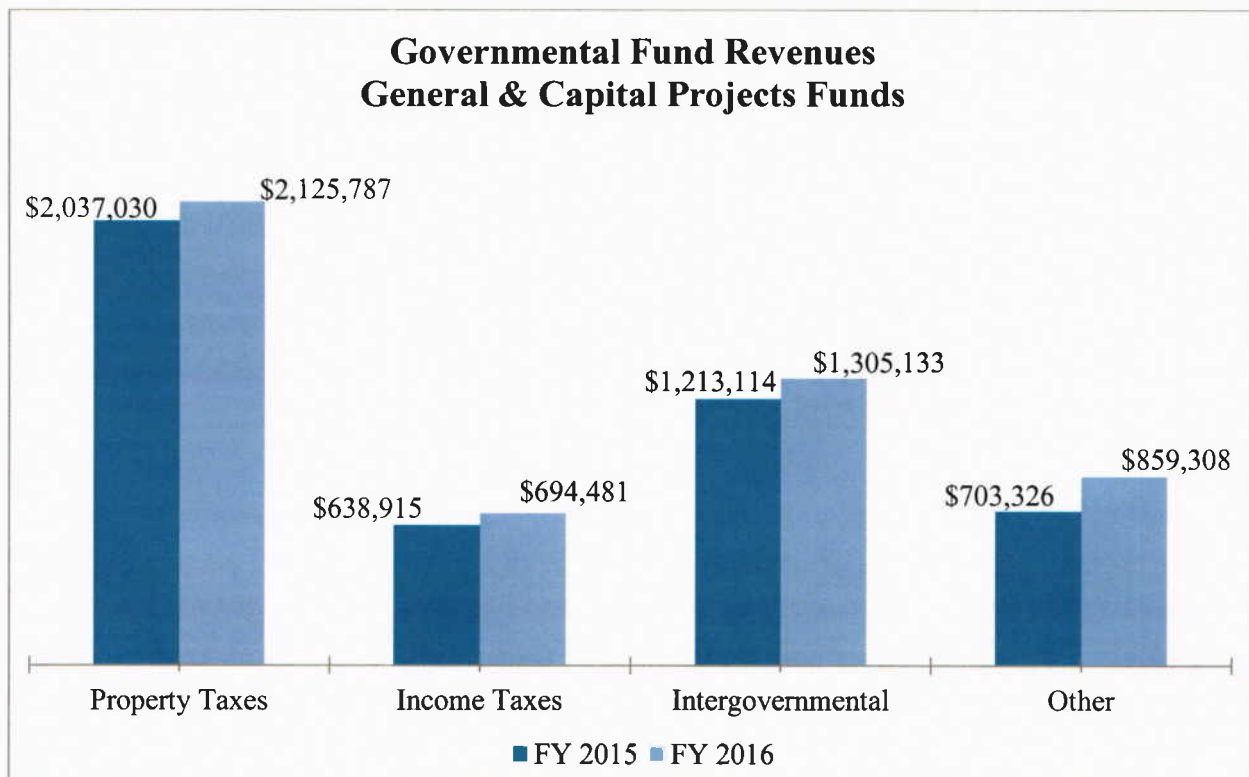
### **Government-wide Financial Analysis**

As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the city as a whole. As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition.

The assets and deferred outflows of the City exceeded liabilities and deferred inflows by \$27,665,135 as of June 30, 2016; this is a \$2,582,026 increase from FY 2015. The majority of net position reflects the City's net investment in capital assets (e.g. land, buildings, vehicles, and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The resources needed to repay the debt related to these capital assets must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

Governmental activities increased the City's net position by \$766,780 and business-type activities increased net position by \$1,815,246. Additionally, per the Statement of Activities, the City's total revenue was \$10,291,861, a 37.9% increase from the prior year's revenue of \$7,464,160. Capital contributions of \$1,952,884 from the Special Taxing District developer represented 69% of the increase.

See the chart below for a year to year comparison of General Fund revenue categories.



### Financial Analysis of the City's Funds

Unassigned fund balance can be a useful measure of a City's net resources available for spending at the end of the fiscal year. The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,550,069. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance noted above and total fund balance of \$2,576,164 to total fund expenditures of \$3,534,892.

### General Fund Budget Variances

During FY 2016, the Mayor and City Council publicly amended the budget. At year's end, actual revenues were \$48,574 more than the budgeted amount. More specifically, taxes were \$7,750 more than expected, service charges were \$14,288 higher than the budgeted amount, and intergovernmental revenues exceeded the amount budgeted by \$23,165.

Total expenditures were \$74,308 less than the final budgeted amount. The Mayor and Council Department was under budget \$18,244 as a result of fewer contributions to non-profit organizations and sustainability projects that were postponed. The Planning and Zoning Department was under budget \$9,901 and the Financial Administration Department was under budget \$7,519 due to responsible management of operating expenses. The Parks function (newly comprised of the Parks Department, the Swimming Pool Department, the Campground Department, and the Skateboard Park Department) was under budget \$21,882 due to a more conservative approach to non-emergency maintenance items and the overall goal to manage resources responsibly.

## Proprietary Funds

As discussed above, the City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Operating Revenue is calculated using charges for services, reimbursements from developers, and miscellaneous revenues. Operating Expense is calculated using actual personnel, operating, and depreciation costs, without consideration of budgeted use of net assets.

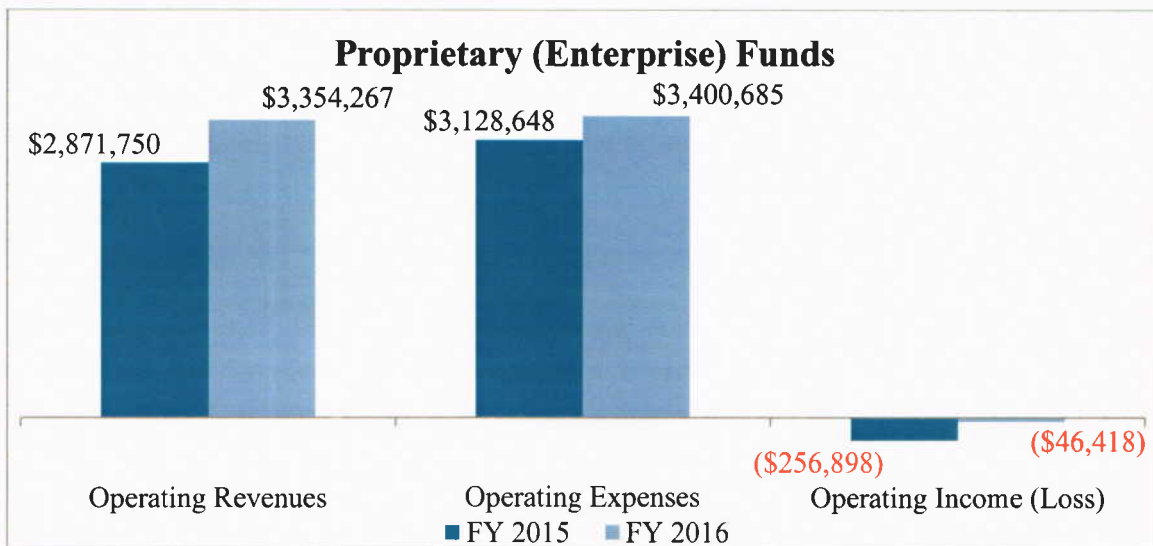
The Water Fund had operating income of \$28,373 as compared to an operating income of \$54,068 in FY 2015; the Sewer Fund had an operating loss of \$74,791 as compared to a loss of \$310,966 in FY 2015. The operating income/loss is derived by calculating the difference between operating revenues and operating expenses.

Depreciation expense for business-type activities amounted to \$1,507,688. This expense is the replacement cost of an asset at the end of its useful life. Industry standard is to set Service Fees to cover these costs to prevent borrowing the cost of the replacement. While the City does not currently calculate the full value of depreciation expense in the water and sewer fees charged to customers, a percentage of depreciation was included in FY 2016 rate-setting.

For the Water Fund, operating income decreased 47.5% from the prior year. Total operating revenues increased 15.8%; whereas total operating expenses increased 18.3%. While there was approximately a 14.9% increase in Water service charge revenue, there was a 4.6% increase in personnel expenses caused by pension expense and a 64.2% increase in operating expenses caused by a \$200,000 increase in water utility expenses for City owned properties. This expense tripled in FY2016 due to increased flow on a run off meter used to regulate chlorination at the end of a water line. It is important to note that there is an offsetting revenue component for this expense.

For the Sewer Fund, the operating loss improved 76% from the prior year. The ongoing operating loss is largely attributable to the effects of depreciation expense on the fund. In FY 2016, operating expenses for the Sewer Fund included depreciation and amortization costs of \$956,358; approximately 53.9% of total operating expenses. While there was approximately a 17.2% increase in Sewer service charge revenue, there was a 4.7% increase in operating expenses caused by an increase in Utility expenses.

The chart below summarizes a year to year comparison of the Enterprise Funds.



The following table summarizes revenues and expenses for the governmental activities of the City and totals for the government overall.

	Governmental Activities		Total Government	
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
REVENUES				
Program Revenues				
Operating grants and contributions	346,458	316,526	388,458	358,526
Charges for services	412,020	492,695	3,128,532	3,645,514
General Revenues				
Taxes	2,774,881	2,917,550	2,774,881	2,917,550
Intergovernmental	866,657	884,239	866,657	884,239
Fines and Forfeitures	42,142	42,429	42,142	42,429
Miscellaneous	150,227	217,981	263,490	377,430
Capital grants and contributions	<u>-</u>	<u>113,289</u>	<u>-</u>	<u>2,066,173</u>
Total Revenues	<u>4,592,385</u>	<u>4,984,709</u>	<u>7,464,160</u>	<u>10,291,861</u>
PROGRAM EXPENSES				
General government	943,905	1,114,106	943,905	1,114,106
Public safety	1,096,759	1,006,929	1,096,759	1,006,929
Public works	1,537,986	1,760,777	1,537,986	1,760,777
Recreation and culture	224,619	226,574	224,619	226,574
Economic development	124,806	87,536	124,806	87,536
Interest	14,107	13,171	14,107	13,171
Miscellaneous	16,456	8,836	16,456	8,836
Business-type activities	<u>-</u>	<u>-</u>	<u>3,222,623</u>	<u>3,491,906</u>
TOTAL PROGRAM EXPENSES	<u>3,958,638</u>	<u>4,217,929</u>	<u>7,181,261</u>	<u>7,709,835</u>
TRANSFERS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGES IN NET POSITION	<u>633,747</u>	<u>766,780</u>	<u>282,899</u>	<u>2,582,026</u>

## **Highlights of Fiscal Year 2017**

- The General Fund is expected to experience a modest increase in property tax receipts as an increasing number of newly constructed single-family properties go to settlement during the build out of a recently platted subdivision. Property assessments, other than appeals, will have a slight increase phased in over the next three years per reassessed values as of January 1, 2016.
- As a result of the increase in assessable base described above and the continued fiscal health in the General Fund, City officials voted to decrease the property tax rate from \$0.462 per \$100 of assessed value to \$0.440 per \$100 of assessed value.
- Tax Equity revenue received from Frederick County is projected to increase slightly from \$884,239 in FY 2016 to \$886,572 in FY 2017.
- In FY 2017, approximately \$85,700 has been budgeted to be transferred from the General Fund to the Capital Projects Fund for projects.
- Vehicle purchases planned for FY 2017 in the Capital Projects Fund are planned as cash purchases to avoid incurring additional debt.
- The City will continue reviewing its methodology for booking capital assets to better capture and account for the internal and external costs of its infrastructure investments.
- The City anticipates drawing down its remaining unspent bond proceeds for various capital projects in FY 2017. No new external debt is anticipated for FY 2017.
- During FY 2015, after discussion with the Mayor and Council, the City began accounting fully for its own charges for services provided by City utilities. In FY 2016, additional meters were added to further capture City used resources. Therefore, FY 2017 will continue to show significant transfers from the General Fund and other Funds to account for Water and Wastewater Charges that were not previously billed internally. This change better shows the true cost of delivering general fund services, while assuring that all the metered consumption by all customers is appropriately billed by the enterprise funds.

### **Request for more information:**

This financial report is designed to provide a general overview of the City of Brunswick's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

City Administrator  
One West Potomac Street  
Brunswick, Maryland 21716

**CITY OF BRUNSWICK, MARYLAND**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-Type</b>	<b>Total</b>
	<b>Activities</b>	<b>Activities</b>	
<b>Assets</b>			
Cash and cash equivalents	\$ 4,203,905	\$ 1,611,214	\$ 5,815,119
Restricted cash and investments	340,114	59,200	399,314
Taxes receivable	1,963	-	1,963
Accounts receivable, net of allowance	102,232	624,260	726,492
Due from other governmental agencies	139,311	41,617	180,928
Other receivables	29,594	11,934	41,528
Other assets	-	20,440	20,440
Capital assets:			
Capital assets not being depreciated	618,415	85,422	703,837
Capital assets being depreciated	10,647,052	46,727,072	57,374,124
Less: Accumulated depreciation	(3,747,444)	(16,807,176)	(20,554,620)
Capital assets, net	7,518,023	30,005,318	37,523,341
<b>Total Assets</b>	<b>12,335,142</b>	<b>32,373,983</b>	<b>44,709,125</b>
<b>Deferred Outflows of Resources</b>	<b>243,028</b>	<b>70,668</b>	<b>313,696</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>12,578,170</b>	<b>32,444,651</b>	<b>45,022,821</b>
<b>Liabilities</b>			
Accounts payable	\$ 106,701	\$ 112,524	\$ 219,225
Accrued liabilities	41,409	11,382	52,791
Compensated absences	119,684	37,776	157,460
Escrow deposits	188,897	46,792	235,689
Deposits held for specific purposes	61,033	-	61,033
Noncurrent liabilities			
Debt obligations due within one year	43,390	220,573	263,963
Debt obligations due in more than one year	358,017	2,831,290	3,189,307
Net pension liability	1,054,532	306,243	1,360,775
<b>Total Liabilities</b>	<b>1,973,663</b>	<b>3,566,580</b>	<b>5,540,243</b>
<b>Deferred Inflows of Resources</b>	<b>94,359</b>	<b>11,723,084</b>	<b>11,817,443</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>2,068,022</b>	<b>15,289,664</b>	<b>17,357,686</b>
<b>Net Position</b>			
Net investment in capital assets	7,116,616	26,953,455	34,070,071
Unrestricted	3,393,532	(9,798,468)	(6,404,936)
<b>Total Net Position</b>	<b>\$ 10,510,148</b>	<b>\$ 17,154,987</b>	<b>\$ 27,665,135</b>

The accompanying notes are an integral part of this statement.

**CITY OF BRUNSWICK, MARYLAND**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government</b>							
Governmental activities							
General government	\$ (1,122,942)	\$ 226,883	\$ 1,103	\$ -	\$ (894,956)	\$ -	\$ (894,956)
Public safety	(1,111,627)	191	68,790	13,939	(1,028,707)	-	(1,028,707)
Public works	(1,656,079)	227,366	222,713	-	(1,206,000)	-	(1,206,000)
Recreation and culture	(226,574)	38,255	-	99,350	(88,969)	-	(88,969)
Community and economic development	(87,536)	-	23,920	-	(63,616)	-	(63,616)
Interest expense	(13,171)	-	-	-	(13,171)	-	(13,171)
Total governmental activities	<u>(4,217,929)</u>	<u>492,695</u>	<u>316,526</u>	<u>113,289</u>	<u>(3,295,419)</u>	<u>-</u>	<u>(3,295,419)</u>
Business-type activities							
Water services	(1,667,821)	1,525,578	-	916,865	-	774,622	774,622
Sewer services	<u>(1,824,085)</u>	<u>1,627,241</u>	<u>42,000</u>	<u>1,036,019</u>	<u>-</u>	<u>881,175</u>	<u>881,175</u>
Total business-type activities	<u>(3,491,906)</u>	<u>3,152,819</u>	<u>42,000</u>	<u>1,952,884</u>			
<b>Total primary government</b>	<u>\$ (7,709,835)</u>	<u>\$ 3,645,514</u>	<u>\$ 358,526</u>	<u>\$ 2,066,173</u>	<u>(3,295,419)</u>	<u>1,655,797</u>	<u>(1,639,622)</u>
<b>General Revenues</b>							
Taxes							
Property taxes, levied for general purposes					2,125,787	-	2,125,787
Income taxes					694,481	-	694,481
Other local taxes					97,282	-	97,282
County tax equity					884,239	-	884,239
Fines and forfeitures					42,429	-	42,429
Income on investments					4,230	1	4,231
Rental income					3,300	93,917	97,217
Administrative fees					-	10,000	10,000
Miscellaneous income					210,451	55,531	265,982
<b>Total general revenues</b>					<u>4,062,199</u>	<u>159,449</u>	<u>4,221,648</u>
<b>Change in net position</b>					766,780	1,815,246	2,582,026
<b>Net position - beginning of year</b>					9,743,368	15,339,741	25,083,109
<b>Net position - end of year</b>					<u>\$ 10,510,148</u>	<u>\$ 17,154,987</u>	<u>\$ 27,665,135</u>

The accompanying notes are an integral part of this statement.

**CITY OF BRUNSWICK, MARYLAND**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2016**

	<b>Governmental Fund Types</b>		<b>Total</b>
	<b>General</b>	<b>Capital Projects</b>	<b>Governmental Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 4,203,905	\$ -	\$ 4,203,905
Restricted cash and investments	249,930	90,184	340,114
Receivables:			
Taxes	1,963	-	1,963
Customers	102,232	-	102,232
Other governments	130,140	9,171	139,311
Other	29,594	-	29,594
Due from other funds	-	1,738,403	1,738,403
<b>Total Assets</b>	<b>\$ 4,717,764</b>	<b>\$ 1,837,758</b>	<b>\$ 6,555,522</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 100,320	\$ 6,381	\$ 106,701
Accrued liabilities	41,409	-	41,409
Escrow deposits	188,897	-	188,897
Deposits held for specific purposes	61,033	-	61,033
Due to other funds	1,738,403	-	1,738,403
<b>Total Liabilities</b>	<b>2,130,062</b>	<b>6,381</b>	<b>2,136,443</b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenues	11,538	-	11,538
<b>Total Deferred Inflows of Resources</b>	<b>11,538</b>	<b>-</b>	<b>11,538</b>
<b>Fund Balances</b>			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	-	90,184	90,184
Assigned	26,095	1,741,193	1,767,288
Unassigned	2,550,069	-	2,550,069
<b>Total Fund Balances</b>	<b>2,576,164</b>	<b>1,831,377</b>	<b>4,407,541</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 4,717,764</b>	<b>\$ 1,837,758</b>	<b>\$ 6,555,522</b>

The accompanying notes are an integral part of this statement.



# CITY OF BRUNSWICK, MARYLAND

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2016

	General	Capital Projects	Total Governmental Funds
<b>Revenues</b>			
Local property taxes	\$ 2,125,787	\$ -	\$ 2,125,787
Local income taxes	694,481	-	694,481
Other local taxes	97,282	-	97,282
Licenses and permits	105,395	-	105,395
Intergovernmental revenues	1,200,765	104,368	1,305,133
Service charges	386,788	512	387,300
Fines and forfeitures	42,429	-	42,429
Miscellaneous	217,947	8,955	226,902
Total Revenues	<u>4,870,874</u>	<u>113,835</u>	<u>4,984,709</u>
<b>Expenditures</b>			
General government	932,636	18,623	951,259
Public safety	1,006,801	128,665	1,135,466
Public works	1,321,082	822,170	2,143,252
Recreation and culture	138,683	121,615	260,298
Economic development	83,329	-	83,329
Debt service	52,361	-	52,361
Total Expenditures	<u>3,534,892</u>	<u>1,091,073</u>	<u>4,625,965</u>
Excess (Deficiency) of Revenues over Expenditures	1,335,982	(977,238)	358,744
<b>Other Financing Sources (Uses)</b>			
Operating transfers	(1,010,400)	1,010,400	-
Total Other Financing Sources (Uses)	<u>(1,010,400)</u>	<u>1,010,400</u>	<u>-</u>
<b>Excess of Revenues and Other Financing Sources over Expenditures and Other Financing Uses</b>	325,582	33,162	358,744
Fund Balance - July 1, 2015	<u>2,250,582</u>	<u>1,798,215</u>	
<b>Fund Balance - June 30, 2016</b>	<u>\$ 2,576,164</u>	<u>\$ 1,831,377</u>	
<b>Adjustments for the Statement of Activities</b>			
Capital outlay			1,094,886
Depreciation expense			(444,609)
Compensated absences			(6,323)
Debt service expenditures			39,190
Transfer of capital asset to Enterprise Fund			(92,886)
Net pension adjustment			(182,222)
Change in Net Position of Governmental Activities			<u>\$ 766,780</u>

The accompanying notes are an integral part of this statement.

**CITY OF BRUNSWICK, MARYLAND**  
**RECONCILIATION OF FUND BALANCE TO NET POSITION OF**  
**GOVERNMENTAL ACTIVITIES**  
**JUNE 30, 2016**

Fund balances - governmental funds	\$ 4,407,541
------------------------------------	--------------

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources, therefore are not reported in the funds

Property and equipment, net	7,518,023
-----------------------------	-----------

Deferred outflows of resources	243,028
--------------------------------	---------

Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds

Long-term debt	(401,407)
----------------	-----------

Compensated absences	(119,684)
----------------------	-----------

Net pension liability	(1,054,532)
-----------------------	-------------

Deferred inflows of resources, pension-related	<u>(82,821)</u>
--	-----------------

Net position - governmental activities	<u>\$ 10,510,148</u>
--	----------------------

The accompanying notes are an integral part of this statement.

**CITY OF BRUNSWICK, MARYLAND**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2016**

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Total</b>
<b>Assets</b>			
Current Assets			
Cash and cash equivalents	\$ 692,436	\$ 918,778	\$ 1,611,214
Restricted cash	19,760	39,440	59,200
Due from customers	298,818	325,442	624,260
Due from other governments	-	41,617	41,617
Other receivables	11,934	-	11,934
Other assets	20,440	-	20,440
Due from water fund	-	2,858,164	2,858,164
Total Current Assets	<u>1,043,388</u>	<u>4,183,441</u>	<u>5,226,829</u>
Capital Assets			
Capital assets not being depreciated	33,526	51,896	85,422
Capital assets being depreciated	17,642,795	29,084,277	46,727,072
Accumulated depreciation	<u>(6,426,427)</u>	<u>(10,380,749)</u>	<u>(16,807,176)</u>
Total Capital Assets, net	<u>11,249,894</u>	<u>18,755,424</u>	<u>30,005,318</u>
Total Assets	<u>12,293,282</u>	<u>22,938,865</u>	<u>35,232,147</u>
<b>Deferred Outflows of Resources</b>	<u>33,948</u>	<u>36,720</u>	<u>70,668</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 12,327,230</u>	<u>\$ 22,975,585</u>	<u>\$ 35,302,815</u>
<b>Liabilities</b>			
Current Liabilities			
Accounts payable	\$ 89,444	\$ 23,080	\$ 112,524
Accrued liabilities	24,468	24,690	49,158
Escrow deposits	19,761	27,031	46,792
Current portion of debt obligations	79,526	141,047	220,573
Due to sewer fund	<u>2,858,164</u>	<u>-</u>	<u>2,858,164</u>
Total Current Liabilities	<u>3,071,363</u>	<u>215,848</u>	<u>3,287,211</u>
Noncurrent Liabilities			
Net pension liability	146,649	159,594	306,243
Long-term debt obligations	<u>1,389,260</u>	<u>1,442,030</u>	<u>2,831,290</u>
Total Noncurrent Liabilities	<u>1,535,909</u>	<u>1,601,624</u>	<u>3,137,533</u>
Total Liabilities	<u>4,607,272</u>	<u>1,817,472</u>	<u>6,424,744</u>
<b>Deferred Inflows of Resources</b>	<u>5,205,527</u>	<u>6,517,557</u>	<u>11,723,084</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>9,812,799</u>	<u>8,335,029</u>	<u>18,147,828</u>
<b>Net Position</b>			
Net investment in capital assets	9,781,108	17,172,347	26,953,455
Unrestricted	<u>(7,266,677)</u>	<u>(2,531,791)</u>	<u>(9,798,468)</u>
<b>Total Net Position</b>	<u>\$ 2,514,431</u>	<u>\$ 14,640,556</u>	<u>\$ 17,154,987</u>

The accompanying notes are an integral part of this statement.

**CITY OF BRUNSWICK, MARYLAND**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET**  
**POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Total</b>
<b>Operating Revenues</b>			
Charges for services	\$ 1,525,578	\$ 1,627,241	\$ 3,152,819
Rental income	93,917	-	93,917
Operating grants	-	42,000	42,000
Miscellaneous	35,317	30,214	65,531
Total Operating Revenues	1,654,812	1,699,455	3,354,267
<b>Operating Expenses</b>			
Personnel services	502,674	428,123	930,797
Operating	572,435	389,765	962,200
Depreciation	551,330	956,358	1,507,688
Total Operating Expenses	1,626,439	1,774,246	3,400,685
<b>Operating income (loss)</b>	28,373	(74,791)	(46,418)
<b>Nonoperating Revenues (Expenses)</b>			
Interest on invested funds	-	1	1
Interest expense and fees	(41,382)	(49,839)	(91,221)
Total Nonoperating Revenues (Expenses)	(41,382)	(49,838)	(91,220)
<b>Net loss before capital grants and contributions</b>	(13,009)	(124,629)	(137,638)
Capital contributions	916,865	1,036,019	1,952,884
<b>Change in Net Position</b>	903,856	911,390	1,815,246
Total Net Position, beginning of year	1,610,575	13,729,166	15,339,741
<b>Total Net Position, end of year</b>	<b>\$ 2,514,431</b>	<b>\$ 14,640,556</b>	<b>\$ 17,154,987</b>

The accompanying notes are an integral part of this statement.

**CITY OF BRUNSWICK, MARYLAND**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b><u>Water</u></b>	<b><u>Sewer</u></b>	<b><u>Total</u></b>
<b>Cash flows from operating activities</b>			
Cash received from customers and users	\$ 1,388,312	\$ 1,218,797	\$ 2,607,109
Cash received from other governments	-	124,847	124,847
Cash received from developers	8,380	11,508	19,888
Other operating cash receipts	9,630	18,866	28,496
Cash payments to suppliers	(541,808)	(400,883)	(942,691)
Cash payments to employees for services	(470,453)	(411,181)	(881,634)
Net cash provided by operating activities	<u>394,061</u>	<u>561,954</u>	<u>956,015</u>
<b>Cash flows from capital and related financing activities</b>			
Purchase of capital assets	(171,220)	(8,987)	(180,207)
Current year construction of capital assets	(84,477)	(40,256)	(124,733)
Principal paid on capital debt	(66,522)	(125,141)	(191,663)
Interest paid on capital debt	(41,642)	(50,357)	(91,999)
Net cash used in capital and related financing activities	<u>(363,861)</u>	<u>(224,741)</u>	<u>(588,602)</u>
<b>Cash flows from investing activities</b>			
Investment income	-	1	1
Net cash provided by investing activities	<u>-</u>	<u>1</u>	<u>1</u>
Net increase (decrease) in cash and cash equivalents	30,200	337,214	367,414
Cash and cash equivalents, beginning of year	<u>681,996</u>	<u>621,004</u>	<u>1,303,000</u>
Cash and cash equivalents, end of year	<u>\$ 712,196</u>	<u>\$ 958,218</u>	<u>\$ 1,670,414</u>

The accompanying notes are an integral part of this statement.

**CITY OF BRUNSWICK, MARYLAND**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b><u>Water</u></b>	<b><u>Sewer</u></b>	<b><u>Total</u></b>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$ 28,373	\$ (74,791)	\$ (46,418)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation	551,330	956,358	1,507,688
Net change in operating assets and liabilities			
Due from customers	(34,745)	(39,272)	(74,017)
Due from other governments	-	(13,513)	(13,513)
Other receivables	(10,617)	-	(10,617)
Other assets	(11,470)	-	(11,470)
Deferred outflows of resources	(17,222)	(18,473)	(35,695)
Accounts payable	42,097	(11,119)	30,978
Accrued liabilities	(508)	(14,053)	(14,561)
Escrow deposits	3,380	6,507	9,887
Net pension liability	39,881	43,120	83,001
Deferred inflows of resources	(196,450)	(272,798)	(469,248)
Interfund activity	12	(12)	-
Net cash provided by operating activities	<u>\$ 394,061</u>	<u>\$ 561,954</u>	<u>\$ 956,015</u>

The accompanying notes are an integral part of this statement.

# **CITY OF BRUNSWICK, MARYLAND**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Financial Reporting Entity**

The City of Brunswick, Maryland (the City) was incorporated in 1890 and is currently organized under the provisions of a mayor-council form of government. The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units.

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Governmental Accounting Standards Board Codification Section 2100 have been considered and there are no agencies or entities which should be presented with the City.

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The City follows GASB 62 in applying GASB guidance to its proprietary activities, which incorporates Financial Accounting Standards Board statements and interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

#### **Government-wide and Fund Financial Statements**

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The statement of net position and the statement of activities report information about the City as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements include the financial activities of the primary government. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for business-type activities of the City. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods and services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the City.

# **CITY OF BRUNSWICK, MARYLAND**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and managerial requirements.

The following is a brief description of the specific funds used by the City in fiscal year 2016:

#### **Governmental Fund Types**

General Fund – This fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The General Fund accounts for the normal recurring activities of the City, (i.e., public safety, public works, parks and recreation, general government, etc.). These activities are funded principally by property and income taxes on individuals and businesses, and grants from other governmental units.

Capital Projects Fund – This fund accounts for the purchase, construction or renovation of major general fixed assets over an extended period of time (other than those financed by the Proprietary Funds).

#### **Proprietary Fund Types**

Enterprise Funds – Water and sewer services are accounted for in Enterprise Funds. The primary measurement focus is upon the determination of net income, financial position, and cash flow. The generally accepted accounting principles are similar to those used in the private business sector.

#### **Measurement focus, basis of accounting, and financial statement presentation**

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental fund.

Net position is reported as restricted when constraints placed on net position use are externally imposed by grantors or contributors. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.



# **CITY OF BRUNSWICK, MARYLAND**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when cash is received and when amounts to be received are both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers all revenues as available if they are collected within 60 days after year-end.

Expenditures generally are recorded when the related liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Business-type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

#### **Budgets and Budgetary Accounting**

The budget document is a comprehensive financial plan showing all revenues and expenditures expected for the General Fund, Capital Projects Fund, and the Proprietary Funds of the City. Budgets are adopted on an annual cycle for all funds, except the Capital Projects Fund, which adopts a project-length budget on an annual basis.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. City officials request all departments to submit their proposed operating budgets for the fiscal year commencing the following July 1.
2. All budget requests are compiled by the City Administrator, and after making departmental reviews of the requests, a recommended budget is presented to the Mayor and Council.
3. Public hearings are required by law to be scheduled by City officials with approval of the Mayor and Council.

# **CITY OF BRUNSWICK, MARYLAND**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

4. Prior to the commencement of the fiscal year, the property tax rate is set and the budget is adopted.
5. Appropriations lapse at the end of the fiscal year (except in the Capital Projects Fund).
6. During the year, the Mayor and Council may amend the budget at a regularly scheduled public meeting.

#### **Cash, Cash Equivalents, and Investments**

For purposes of the statement of cash flows, the City considers cash on hand, demand deposits, and all highly liquid investments and debt instruments with maturities of three months or less from the date of acquisition to be cash and cash equivalents. Generally, cash resources of the individual funds are combined to form a pool of cash and investments. Investments consist primarily of certificates of deposit, Maryland Local Government Investment Pool (MLGIP), and a business money market account (BB&T Money Rate Savings). Investments are carried at market value in all funds. Investment income earned as a result of pooling is distributed to the appropriate funds based on the ending balance of cash and investments of each fund.

#### **Receivables and Uncollectible Accounts**

Significant receivables include amounts from customers primarily for utility services. These receivables are due within one year. For the year ended June 30, 2016, the City determined that no allowance for uncollectible accounts was necessary as all accounts are deemed collectible.

#### **Short-term Interfund Receivables/Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the statement of net position. Short-term interfund loans are classified as “interfund receivables/payables.”

#### **Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2016 are recorded as prepaid items. In the governmental fund financial statements, reported prepaid items are equally offset in the fund balance as nonspendable, which indicates they do not constitute “available spendable resources” even though they are a component of total assets.

# **CITY OF BRUNSWICK, MARYLAND**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Capital Assets**

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with a cost of more than \$5,000 and an estimated useful life in excess of one year. A group of similar assets that cost more than \$5,000 in total may also be capitalized. The capitalization threshold for infrastructure has been established at \$10,000. Capital assets purchased or acquired are recorded at cost or, if donated, at the estimated fair market value upon receipt. Depreciation of property and equipment is computed on the straight-line method for financial reporting purposes. Depreciation is provided for over the estimated useful lives of the assets based on the following guidelines:

Buildings	20 – 50 years
Improvements	10 – 50 years
Software	3 – 5 years
Vehicles	3 – 5 years
Machinery & equipment	3 – 10 years

#### **Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation, compensatory, and sick pay benefits. Employees are entitled to receive payment for all unused vacation and compensatory hours at the conclusion of their employment. Accumulated vacation and compensatory hours are accrued when incurred in the government-wide and proprietary fund financial statements.

#### **Deferred Outflows / Inflows of Resources**

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that period.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that period.

# **CITY OF BRUNSWICK, MARYLAND**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Fund Balance**

The City has implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions for its governmental funds. Under GASB Statement No. 54, fund balances are required to be reported according to the following classifications:

Nonspendable fund balance – Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid amounts, assets held for sale, and long-term receivables.

Restricted fund balance – Constraints placed on the use of these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or other governments; or are imposed by law (through constitutional provisions or enabling legislation).

Committed fund balance – Amounts that can only be used for specific purposes because of a formal action (resolution or ordinance) by the City's highest level of decision-making authority, the Mayor and Council.

Assigned fund balance – Amounts that are constrained by the City's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the Mayor and Council, or by an official to whom that authority has been given. With the exception of the General Fund, this is the residual fund balance classification for all governmental funds with positive balances. Assigned fund balances in the governmental funds include \$26,095 for the remaining capital lease obligation and \$1,831,377 for future capital projects.

Unassigned fund balance – This is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

#### **Net Position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets, plus any proceeds remaining in cash and investments. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

# **CITY OF BRUNSWICK, MARYLAND**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Interfund Transactions**

Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

#### **Estimates**

The preparation of basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results could differ from those estimates.

### **(2) CASH, INVESTMENTS, AND EQUITY IN POOLED INVESTED CASH**

#### **Credit Risk**

Credit risk is defined as the risk that an issuer or other counterparts to an investment in debt securities will not fulfill its obligation. The City shall invest only in the following types of securities, which are authorized by the State:

- Obligations of U.S. governmental agencies
- Fully insured or collateralized certificates of deposit
- Repurchase agreements and reverse repurchase agreements not to exceed 360 days to stated maturity
- Bankers acceptances with the highest quality letter and numerical rating
- Municipal securities with the highest quality letter and numerical rating
- Money market mutual funds containing securities of U.S. governmental agencies
- Local Government Investment Pool administered by the State Treasurer

The City's investment policy states that collateralization is required on bank accounts, certificates of deposit, and repurchase agreements at 102% of the market value of principal and accrued interest for balances not covered by the Federal Deposit Insurance Corporation (FDIC).

The City's investments have received the following ratings by Standard & Poor's: Maryland Local Government Investment Pool (MLGIP) rated AAAm. There are no ratings on the certificates of deposit.

**CITY OF BRUNSWICK, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**

**(2) CASH, INVESTMENTS, AND EQUITY IN POOLED INVESTED CASH (CONTINUED)**

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Custodial credit risk for investments exists when, in the event of the failure of the counterparty to a transaction, a government may be unable to recover the value of investment or collateral securities that are in the possession of an outside party. As of year-end, the City's carrying amount of deposits was \$6,214,434; the bank balance was \$6,238,022 and cash on hand was \$500. The City's deposits were fully covered by the Federal Deposit Insurance Corporation and collateral held by the pledging financial institution as of June 30, 2016.

Included in cash and cash equivalents, the City had \$132,733 invested in the Maryland Local Government Investment Pool (MLGIP) as of June 30, 2016.

The City's cash and investments as of June 30, 2016, as presented in the Statement of Net Position, reconciled to the City's deposits and investments, are as follows:

	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 4,203,905	\$ 1,611,214	\$ 5,815,119
Restricted cash and investments	340,114	59,200	399,314
	<u>\$ 4,544,019</u>	<u>\$ 1,670,414</u>	<u>\$ 6,214,433</u>

	Governmental Activities	Business-type Activities	Total
Cash on hand	\$ 500	\$ -	\$ 500
Deposits in banks	4,083,580	1,670,414	5,753,994
Certificates of deposit	327,206	-	327,206
Investment pools (MLGIP)	132,733	-	132,733
	<u>\$ 4,544,019</u>	<u>\$ 1,670,414</u>	<u>\$ 6,214,433</u>

As of June 30, 2016, the City had the following investments:

Investment Type (All funds)	Fair Value	Investment Maturities		% of Portfolio
		< 1 Year	1-5 Years	
Certificates of deposit	\$ 327,206	\$ 310,686	\$ 16,520	71.14%
Investment pool (MLGIP)	132,733	132,733	-	28.86%
	<u>\$ 459,939</u>	<u>\$ 443,419</u>	<u>\$ 16,520</u>	<u>100.00%</u>

# **CITY OF BRUNSWICK, MARYLAND**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **(2) CASH, INVESTMENTS, AND EQUITY IN POOLED INVESTED CASH (CONTINUED)**

#### **Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer, not applicable to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds, and external investment pools or other pooled investments. More than 71% of the City's portfolio is invested in debt instruments (certificates of deposit).

#### **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy is not explicit as to how interest rate risk is managed. The interest rate in the MLGIP fluctuates throughout the year. The applicable interest rates as of June 30, 2016 were 0.36% for the MLGIP and between 0.17% and 1.00% for the certificates of deposit.

### **(3) UNEARNED REVENUE**

Unearned revenue arises in governmental funds when revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenue also arises, in both governmental and proprietary funds, when resources are received by the government before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. Unearned revenue in the proprietary funds amounted to \$11,698,355 due to the government not having a legal claim to the funds.

### **(4) PROPERTY TAXES**

The City's property taxes are levied each July 1 at rates enacted by the Mayor and Council on the total assessed value as determined by the Maryland State Department of Assessments and Taxation.

Property taxes become delinquent on October 1. Interest accrues at 1% monthly for delinquent property taxes. Tax liens on real property are sold at public auction the second Monday in May on taxes delinquent since October 1 of the current fiscal year. Total assessed value on which levies were made for the year ended June 30, 2016 was \$463,754,994. The property tax rate was \$0.462 per \$100 of assessed value.

**CITY OF BRUNSWICK, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**

**(5) CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2016 was as follows:

Governmental Activities	Balance July 1, 2015	Additions	Disposals	Transfers	Balance June 30, 2016
Capital assets, not being depreciated					
Land and land improvements	\$ 149,147	\$ 278,283	\$ -	\$ -	\$ 427,430
Historical Collections	-	-	-	58,736	58,736
Projects under construction	231,675	608,450	-	(707,876)	132,249
Total capital assets not being depreciated	<u>380,822</u>	<u>886,733</u>	<u>-</u>	<u>(649,140)</u>	<u>618,415</u>
Capital assets, being depreciated					
Buildings	1,384,458	-	-	-	1,384,458
Improvements	3,308,522	-	-	28,173	3,336,695
Infrastructure	3,628,667	-	(117,330)	554,805	4,066,142
Machinery and equipment	876,098	45,529	-	11,338	932,965
Vehicles	702,719	162,624	(20,095)	-	845,248
Software	26,720	-	-	54,824	81,544
Total capital assets being depreciated	<u>9,927,184</u>	<u>208,153</u>	<u>(137,425)</u>	<u>649,140</u>	<u>10,647,052</u>
Less: accumulated depreciation	<u>(3,347,374)</u>	<u>(444,609)</u>	<u>44,539</u>	<u>-</u>	<u>(3,747,444)</u>
Total capital assets being depreciated, net	<u>6,579,810</u>	<u>(236,456)</u>	<u>(92,886)</u>	<u>649,140</u>	<u>6,899,608</u>
Governmental Activities capital assets, net	<u>\$ 6,960,632</u>	<u>\$ 650,277</u>	<u>\$ (92,886)</u>	<u>\$ -</u>	<u>\$ 7,518,023</u>

Depreciation expense was charged to functions/programs as follows:

**Governmental activities:**

General government	\$ 37,371
Public safety	40,818
Public works	275,525
Parks and recreation	90,895
Total depreciation expense – Governmental activities	<u>\$ 444,609</u>



**CITY OF BRUNSWICK, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**

**(5) CAPITAL ASSETS (CONTINUED)**

Business-type Activities	Balance July 1, 2015	Additions	Disposals	Transfers	Balance June 30, 2016
Capital assets, not being depreciated					
Land and land improvements	\$ 28,068	\$ -	\$ -	\$ -	\$ 28,068
Projects under construction	105,682	1,984,731	-	(2,033,059)	57,354
Total capital assets, not being depreciated	133,750	1,984,731	-	(2,033,059)	85,422
Capital assets, being depreciated					
Buildings and improvements	9,056,047	-	-	33,827	9,089,874
Infrastructure	33,625,231	195,298	-	1,999,232	35,819,761
Machinery and equipment	1,681,486	68,809	(8,000)	-	1,742,295
Vehicles	66,155	8,987	-	-	75,142
Total capital assets being depreciated	44,428,919	273,094	(8,000)	2,033,059	46,727,072
Less: accumulated depreciation	(15,307,488)	(1,507,688)	8,000	-	(16,807,176)
Total capital assets being depreciated, net	29,121,431	(1,234,594)	-	2,033,059	29,919,896
Business-type Activities capital assets, net	\$ 29,255,181	\$ 750,137	\$ -	\$ -	\$ 30,005,318

Depreciation expense was charged to functions/programs as follows:

**Business-type activities**

Water	\$ 551,330
Sewer	956,358
Total depreciation expense – Business-type activities	<u>\$ 1,507,688</u>

**CITY OF BRUNSWICK, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**

**(6) LONG-TERM DEBT OBLIGATIONS**

Debt outstanding as of June 30, 2016 is as follows:

<u>Governmental Activities Debt</u>	<u>Rate</u>	<u>Amount</u>
Maryland Department of the Environment; Due 2019; Annual principal and interest payments of approximately \$15,000	1.10%	\$ 34,368
2012 Tax-Exempt Bond payable to PNC Bank; Due 2030; Annual principal and interest payments fluctuate throughout the life of the bonds	2.90%	340,944
Capital Lease Equipment (copier); Due 2018; Annual principal and interest payments of approximately \$13,000	5.00%	<u>26,095</u>
Total Governmental Activities Debt		<u>\$ 401,407</u>

<u>Enterprise Debt</u>	<u>Rate</u>	<u>Amount</u>
Water Quality Bond Series 2004 payable to Maryland Water Quality Financing Administration; Due 2024; Annual principal and interest payments of approximately \$27,000	0.40%	\$ 215,657
Reservoir Bond payable to the Maryland Water Quality Financing Administration; Due 2026; Annual principal and interest payments of approximately \$25,000	1.10%	201,019
2012 Tax-Exempt Bond payable to PNC Bank; Due 2030; Annual principal and interest payments fluctuate throughout the life of the bonds	2.90%	2,339,437
2012 Taxable Bond payable to PNC Bank; Due 2020; Annual principal and interest payments fluctuate throughout the life of the bonds	4.45%	295,000
Capital Lease Equipment (copier); Due 2018; Annual principal and interest payments of approximately \$13,000	5.00%	<u>750</u>
Total Enterprise Fund Debt		<u>\$ 3,051,863</u>

**CITY OF BRUNSWICK, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**

**(6) LONG-TERM DEBT OBLIGATIONS (CONTINUED)**

Debt service requirements, including capital lease payments, are as follows:

	General Government		Enterprise	
	Principal	Interest	Principal	Interest
2017	\$ 43,390	\$ 12,047	\$ 220,573	\$ 86,534
2018	47,634	10,792	249,559	80,159
2019	26,191	9,661	272,984	72,881
2020	16,748	8,242	248,246	64,854
2021	21,993	7,756	199,580	57,395
2022-2026	124,899	23,810	1,033,735	176,372
2027-2031	120,552	8,923	827,185	61,225

**Interest expense**

For the year ended June 30, 2016, total interest was \$104,392 and reported as follows: interest expense of \$13,171 for governmental activities and \$91,221 for business-type activities.

**Changes in Long-Term Liabilities**

During the year ended June 30, 2016 the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in 1 year
<b>Governmental activities:</b>					
Bonds payable	\$ 402,915	\$ -	\$ (27,603)	\$ 375,312	\$ 31,205
Capital leases	37,682	-	(11,587)	26,095	12,185
Governmental activities - Long-term liabilities	<u>\$ 440,597</u>	<u>\$ -</u>	<u>\$ (39,190)</u>	<u>\$ 401,407</u>	<u>\$ 43,390</u>
<b>Business-type activities:</b>					
Bonds payable	\$ 3,242,441	\$ -	\$ (191,328)	\$ 3,051,113	\$ 220,222
Capital leases	1,085	-	(335)	750	351
Business-type activities - Long-term liabilities	<u>\$ 3,243,526</u>	<u>\$ -</u>	<u>\$ (191,663)</u>	<u>\$ 3,051,863</u>	<u>\$ 220,573</u>

# **CITY OF BRUNSWICK, MARYLAND**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **(6) LONG-TERM DEBT OBLIGATIONS (CONTINUED)**

During fiscal year 2007, the City issued \$36,310,000 in Special Obligation Bonds for the Brunswick Crossing Special Tax District. The bonds are not a liability to the City nor are they backed by the full faith and credit of the City. The City by Ordinance created a special tax district whereby a special tax will be levied by the City on real property located within the Special Tax District. The special taxes are expected to be levied in subsequent years.

### **(7) EMPLOYEE BENEFITS**

All permanent employees of the City that work more than 500 hours per fiscal year are provided retirement benefits through the Employee Pension System of the State of Maryland ("Pension System"). During fiscal year 1980, the State changed from the Retirement System to the Pension System for new employees. Employees hired before December 31, 1979 had the option of remaining in the Retirement System or joining the Pension System on July 1st of each year. There were no employees that opted for the Retirement System and, therefore, only the Pension System is used.

The Pension System is a defined-benefit plan and multiple employer system. The plan involves state-wide participation of employees from numerous other state and local governmental units. The system is administered by the Maryland State Retirement Agency pursuant to the Annotated Code of Maryland.

Under the Pension System, members may retire after 30 years of service or the attainment of age 62 with five years of service, age 63 with four years of service, age 64 with three years of service or age 65 or over with two years of service. Effective November 1999, the City began participation in the State of Maryland's Contributory Pension System, an amendment of the Pension System. Effective July 2006, the City began participation in the State of Maryland's Alternate Contributory Pension Plan. The employees are required to contribute 7% of their base salaries. The revised plan also requires an employer contribution from the City. All current and future permanent employees will participate in this plan. The benefit formula changed as a result of the revisions to provide benefits based on service before and after June 30, 1998.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among Systems and employers.

The Maryland State Retirement and Pension System issues a comprehensive annual financial report each year. The report can be obtained from the agency's office at:

Maryland State Retirement and Pension System  
120 East Baltimore Street  
Baltimore, Maryland 21202

# CITY OF BRUNSWICK, MARYLAND

## NOTES TO THE FINANCIAL STATEMENTS

### (7) EMPLOYEE BENEFITS (CONTINUED)

The City is required to contribute all amounts necessary for the Pension System.

The total contributions from the employees for the years ended June 30 were:

2012	\$133,685
2013	144,206
2014	146,700
2015	154,964
2016	144,022

The City also contributed to the System, in amounts equal to 100% of the required contributions for the years ended June 30:

2012	\$128,921
2013	109,297
2014	127,454
2015	138,013
2016	115,190

#### **Key actuarial methods and assumptions:**

Actuarial	Entry Age Normal
Amortization method	Level percentage of payroll, closed
Inflation	2.95% general, 3.45% wage
Salary increases	3.20% to 8.95% including inflation
Discount rate	7.55%
Investment rate of return	7.55%
Mortality	RP-2014 Mortality tables

Actuarial valuation date	June 30, 2015
--------------------------	---------------

#### **Discount rate**

A single discount rate of 7.55% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.55%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF BRUNSWICK, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**

**(7) EMPLOYEE BENEFITS (CONTINUED)**

**Sensitivity of the net pension liability**

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.55%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

System	1% Decrease to 6.55%	Current Discount	1% Increase to 8.55%
Employees Pension (muni)	\$ 1,858,129	\$ 1,360,775	\$ 945,562

**(8) DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES**

For the year ended June 30, 2016, the City reported deferred outflows and inflows of resources related to the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Changes of pension assumptions	\$ 198,506	\$ -
Net difference between projected and actual earnings on pension plan investments	-	107,550
City contributions subsequent to the measurement date	<u>115,190</u>	<u>-</u>
	<b><u>\$ 313,696</u></b>	<b><u>\$ 107,550</u></b>
Other deferred inflows:		
Unearned revenues		11,538
Connection charges		27,440
Developer contributions		<u>11,670,915</u>
		<b><u>\$ 11,817,443</u></b>

Deferred outflows of resources of \$115,190 related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the years ending June 30:

2017	\$ 15,179
2018	15,179
2019	15,179
2020	38,229
2021	<u>7,190</u>
	<b><u>\$ 90,956</u></b>

# **CITY OF BRUNSWICK, MARYLAND**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **(9) GRANTS FROM GOVERNMENTAL UNITS**

Federal and state governmental units represent an important source of supplementary funding used to finance construction, maintenance, employment programs, and other activities beneficial to the community. The grants received by the City specify the purpose for which the grant funds are to be used, and such grants are subject to audit by the granting agency or its representative. For the year ended June 30, 2016, the City's federal grant expenditures did not exceed \$750,000; therefore, they are not subject to the Single Audit Act.

### **(10) COMMITMENTS AND CONTINGENCIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although it is believed by management that such disallowances will be immaterial.

### **(11) RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City's general liability risks are financed through the City's participation in the Local Government Insurance Trust (LGIT). The City pays an annual premium to LGIT for its general insurance coverage. The City has coverage of \$1,000,000 for each occurrence under commercial general liability and automobile liability. The annual aggregate limit is \$3,000,000 under the commercial policy and is the most the Trust will pay under the City's agreement. In addition, the City carries property insurance limited to \$30,129,537. The City continues to carry commercial insurance for employee health, accident insurance and workers compensation. Settled claims resulting from these risks have not exceeded insurance coverage, and no significant reductions in insurance coverage have occurred in any of the past three fiscal years.

### **(12) SUBSEQUENT EVENTS**

Subsequent events are defined as events or transactions that occur after the Statement of Net Position date through the date that the financial statements are available to be issued. The City performed an evaluation as of October 25, 2016, the date the financial statements were available to be issued. There were no subsequent events that required recording or disclosure in these financial statements.

**CITY OF BRUNSWICK, MARYLAND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET TO ACTUAL**  
**GENERAL FUND**

For the year ended June 30, 2016	Original Budget	Final Appropriated Budget	(Budgetary Basis) Actual	Variance with Final Budget- Positive (Negative)
<b>REVENUES</b>				
<b>Taxes</b>	\$ 2,521,600	\$ 2,909,800	\$ 2,917,550	\$ 7,750
<b>Licenses and Permits</b>	94,700	104,100	105,395	1,295
<b>Intergovernmental Revenues</b>	1,193,600	1,177,600	1,200,765	23,165
<b>Service Charges</b>				
User Fees	101,000	156,000	180,998	24,998
Tipping fees - landfill charge	183,500	216,500	205,790	(10,710)
Total Service Charges	284,500	372,500	386,788	14,288
<b>Fines and Forfeitures</b>	17,800	42,400	42,429	29
<b>Miscellaneous Revenues</b>	134,900	215,900	217,947	2,047
<b>Total Revenues</b>	<b>\$ 4,247,100</b>	<b>\$ 4,822,300</b>	<b>\$ 4,870,874</b>	<b>\$ 48,574</b>
<b>EXPENDITURES</b>				
<b>General Government</b>				
Mayor & Council	\$ 107,200	\$ 107,200	\$ 88,956	\$ 18,244
Elections	-	-	-	-
Financial Administration	716,100	649,800	642,281	7,519
Legal	-	-	-	-
Planning, Zoning, & Enforcement	239,800	211,300	201,399	9,901
<b>Total General Government</b>	<b>1,063,100</b>	<b>968,300</b>	<b>932,636</b>	<b>35,664</b>
<b>Public Safety</b>				
Police Department	1,081,200	983,000	977,115	5,885
Fire and Rescue Contributions	32,100	32,100	29,686	2,414
<b>Total Public Safety</b>	<b>1,113,300</b>	<b>1,015,100</b>	<b>1,006,801</b>	<b>8,299</b>
<b>Public Works</b>				
Highways and Streets	1,056,000	994,400	993,378	1,022
Sanitation and Waste Removal	328,500	328,500	327,704	796
<b>Total Public Works</b>	<b>1,384,500</b>	<b>1,322,900</b>	<b>1,321,082</b>	<b>1,818</b>

The accompanying notes are an integral part of this schedule.



**CITY OF BRUNSWICK, MARYLAND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET TO ACTUAL**  
**GENERAL FUND**

<b>For the year ended June 30, 2016</b>	<b>Original Budget</b>	<b>Final Appropriated Budget</b>	<b>(Budgetary Basis) Actual</b>	<b>Variance with Final Budget- Positive (Negative)</b>
<b>Recreation and Culture</b>				
Parks	95,100	118,900	97,018	21,882
Special Events	64,700	46,500	41,665	4,835
<b>Total Recreation and Culture</b>	<b>159,800</b>	<b>165,400</b>	<b>138,683</b>	<b>26,717</b>
<b>Economic Development</b>				
Economic Development	121,200	85,200	83,329	1,871
<b>Total Economic Development</b>	<b>121,200</b>	<b>85,200</b>	<b>83,329</b>	<b>1,871</b>
<b>Debt Service</b>	<b>52,300</b>	<b>52,300</b>	<b>52,361</b>	<b>(61)</b>
<b>Total Expenditures</b>	<b>3,894,200</b>	<b>3,609,200</b>	<b>3,534,892</b>	<b>74,308</b>
<b>Other Financing Sources (Uses)</b>				
Transfer to Capital Projects	(352,900)	(1,010,400)	(1,010,400)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(352,900)</b>	<b>(1,010,400)</b>	<b>(1,010,400)</b>	<b>-</b>
<b>Net Change in fund balance</b>	<b>\$ -</b>	<b>\$ 202,700</b>	<b>\$ 325,582</b>	<b>\$ 122,882</b>

The accompanying notes are an integral part of this schedule.

**CITY OF BRUNSWICK, MARYLAND****SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

<b>For the year ended June 30, 2016</b>	<b>Employees' Pension System</b>
City's proportion of the net pension liability	0.006547945%
City's proportionate share of the net pension liability	<u>\$ 1,360,775</u>
Covered-employee payroll	\$ 2,139,205
City's proportionate share of net pension liability as a percentage of its covered-employee payroll	<u>63.61%</u>
Plan Fiduciary Net position as a % of total pension liability	<u>68.78%</u>

**SCHEDULE OF CONTRIBUTIONS AND RELATED RATIOS**

<b>For the year ended June 30, 2016</b>	<b>Employees' Pension System</b>
Contractually required contribution	\$ 115,190
Actual contribution	<u>(115,190)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 2,139,205
Contributions as a percentage of covered-employee payroll	5.38%

The accompanying notes are an integral part of this statement.

**CITY OF BRUNSWICK, MARYLAND**  
**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

<b>For the year ended June 30, 2015</b>	<b>Employees' Pension System</b>
City's proportion of the net pension liability	0.005469283%
City's proportionate share of the net pension liability	<u>\$ 970,619</u>
Covered-employee payroll	\$ 2,077,008
City's proportionate share of net pension liability as a percentage of its covered-employee payroll	<u>46.73%</u>
Plan Fiduciary Net position as a % of total pension liability	<u>71.87%</u>

**SCHEDULE OF CONTRIBUTIONS AND RELATED RATIOS**

<b>For the year ended June 30, 2015</b>	<b>Employees' Pension System</b>
Contractually required contribution	\$ 138,013
Actual contribution	<u>(138,013)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 2,077,008
Contributions as a percentage of covered-employee payroll	6.64%

The accompanying notes are an integral part of this statement.



**Draper & McGinley, P.A.**

CERTIFIED PUBLIC ACCOUNTANTS  
AND FINANCIAL CONSULTANTS

James A. Draper, CPA  
Michael McGinley, CPA  
Joyce A. Draper, CPA  
Michele R. Mills, CPA  
Michael A. McGinley, CPA/ABV

Frederick: (301) 694-7411  
Frederick Fax: (301) 694-0954  
Hagerstown: (301) 797-2202  
Hagerstown Fax: (301) 797-6437  
[www.drapermcginleypa.com](http://www.drapermcginleypa.com)

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Mayor and City Council  
City of Brunswick, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of the City of Brunswick, Maryland, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Brunswick, Maryland's basic financial statements, and have issued our report thereon dated October 25, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Brunswick, Maryland's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Brunswick, Maryland's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Brunswick, Maryland's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Brunswick, Maryland's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Drapew & McGinnis, P.A.*

Frederick, Maryland  
October 25, 2016